Ontario Energy Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1982

Ontario

Energy
Ontario

Minister

Ministry
of
Energy

Queen's Park
Toronto, Ontario
M7A 2B7
416/965-2041
Telex 06217880

June 14, 1982

TO THE HONOURABLE JOHN BLACK AIRD
O.C., Q.C., B.A., LL.D.

Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Twenty Second Annual Report of the Ontario Energy Board for the fiscal year ended March 31, 1982.

Respectfully submitted,

Robert Welch

Robert Welch
Minister of Energy

Ontario

Office of the Chairman

Ontario Energy Board

416/963-0815

9th Floor
14 Carlton Street
Toronto Ontario
M5B 1J2

June 7, 1982

Honourable Robert Welch, Q.C.
Minister of Energy
Queen's Park
Toronto, Ontario
M7A 2B7

Dear Minister:

I have the honour to present herewith the Annual Report of the Ontario Energy Board for the fiscal year ended March 31, 1982.

Respectfully submitted,

R. H. Clendining

Robert H. Clendining
Chairman

Ontario

Ontario Energy Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1982

Copies available at $2.50 each from the Ontario Government Bookstore, 880 Bay Street, Toronto; telephone (416) 965-2054.

Out-of-town customers please write (enclosing cheque or money order payable to the 'Treasurer of Ontario') to Ministry of Government Services, Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8.

Telephone: (416) 965-6015
Toll-free long distance 1-800-268-7540
Northwestern Ontario 0-Zenith 67200

ISSN 0317-4891

6C 6:82

CONTENTS

Page

INTRODUCTION 1

Role of the Board 1
Major Activities of the Board 2

REGULATORY HEARINGS 3

Natural Gas Rates 3

Introduction 3
The Consumers' Gas Company Limited 5
Inter-City Gas Corporation 6
Natural Resource Gas Limited 7
Northern & Central Gas Corporation Limited 7
Tecumseh Gas Storage Limited 8
Union Gas Limited 9
Wellandport Gas Limited 11

Gas Storage 11

Pipeline Construction 11

Pipeline Exemptions 12

Arbitration 12

Accounting Orders 12

Certificates and Franchises 13

ADVISORY HEARINGS 14

Ontario Hydro 14

OTHER MATTERS 16

Ontario Pipeline Coordination Committee 16
Administration 17

APPENDICES

'A' Jurisdiction of the Board

'B-1' Residential Rates Changes Granted
- The Consumers' Gas Company Limited

'B-2' Residential Rates Changes Granted
- Northern and Central Gas Corporation Limited

'B-3' Residential Rates Changes Granted
- Union Gas Limited

'C' Principal Natural Gas Pipelines in Ontario

'D' Selected Statistics
- Major Ontario Natural Gas Utilities

'E' Brochure
- "How Does a Gas Utility Change Its Rates?

Metric Conversion

Many of the quantitative references in this Report are expressed in metric units. The following conversion table is provided for your convenience.

1 cubic metre(m^3)=0.0353 thousand cubic feet(Mcf)

1 thousand cubic feet(Mcf)=28.328 cubic metres(m^3)

1 thousand cubic metres(10^3m^3)=0.0353 million cubic feet(MMcf)

1 million cubic feet(MMcf)=28.328 thousand cubic metres(10^3m^3)

1 kilometre(km)=0.6214 miles

1 mile=1.609 kilometres(km)

INTRODUCTION

Role of the Board

The Ontario Energy Board has jurisdiction over energy-related matters including regulation of natural gas rates, municipal franchise approvals, hydrocarbon pipeline construction and related environmental concerns, expropriations and control of utility accounting procedures.

No natural gas utility operating in Ontario under the Board's jurisdiction can change its rates, construct certain facilities or enter into franchise agreements with municipalities without first obtaining the approval of the Board through the public hearing process.

Upon reference being made to it, the Board also acts in an advisory role to the Minister of Energy with regard to Ontario Hydro, to the Minister of Natural Resources respecting certain oil and gas production concerns, and to the Lieutenant Governor in Council on other energy matters.

Appendix 'A' contains a more complete outline of the jurisdiction of the Board.

Major Activities of the Board

The major activities of the Board continued to be rate-related matters resulting from the rapidly increasing wholesale price of natural gas from Western Canada and the cost of distributing it to customers.

Ontario natural gas utilities came before the Board with a total of 22 main and interim applications for rates changes during the fiscal year. These, and 14 other proceedings, including a reference from the Minister of Energy with respect to Ontario Hydro's bulk power rates, are described in greater detail in this Report.

Further to information in the previous Annual Report, the Board continued with its efforts to streamline the regulatory process. In conjunction with a review by consultants, a number of changes are being implemented including an attempt to schedule in advance the entire process, from filing of an application to issuance of a final order, within a specified period of time. This approach is now being tried on an experimental basis.

In order to assist natural gas users and the public in general to better understand the rates setting process, the Board published a brochure entitled, "How Does a Gas Utility Change Its Rates?" The brochure has been sent to Members of the Legislature, all Ontario municipalities and others, including the media. A copy of the brochure, available to anyone, is enclosed with this Report.

REGULATORY HEARINGS

Natural Gas Rates

Introduction

An understanding of the elements affecting the supply and pricing of natural gas distributed and sold in the Province is helpful in a review of natural gas rates hearings. While some natural gas is produced in Ontario the largest portion (approximately 98 per cent) is delivered from Western Canada by TransCanada PipeLines Limited. Ontario natural gas utilities must purchase most of their supply from this source.

There are two principle causes of increasing natural gas prices in Ontario. The most frequent, and the largest in dollar terms, is the cost of gas. This is a combination of the wholesale price of natural gas delivered from Western Canada, as determined by the Federal government, plus the excise or natural gas tax which the Federal government is now imposing, in increasing amounts, on top of the wholesale purchase price.

The second major cause is the revenue required by Ontario natural gas utilities to operate their companies, to raise necessary capital and to provide service to their customers in a safe and efficient manner. These in-province distribution costs, are a relatively small component of the rates paid by customers. Ironically, it is these costs which are the subject of much scrutiny at public hearings. On the other hand, the sizeable Federal gas costs are generally straight forward and hearings related solely to them are usually short.

Before these Federally imposed gas cost increases can be passed through to customers, Provincial legislation requires that approval be obtained from the Ontario Energy Board. The Board must be satisfied that these costs warrant being passed through and determine whether the utility can absorb some or all of the cost. In recent years all such gas cost increases have been passed on to the customers.

These increases affect residential customers as well as commercial and industrial gas users.

In the next year, the Federal government will continue with its program of increasing natural gas costs and excise taxes. This is apart from any revenue increases which the Ontario natural gas utilities may request to maintain their financial integrity. All of these increases, regardless of cause will, however, be subject to the Board's approval process.

During the fiscal year increases in the cost of natural gas imposed on the gas utilities by the Federal government were as follows:

Effective Date	Amount of Increase	Reason
May 1, 1981	\$5.30 per 10^3m^3	natural gas tax
July 1, 1981	\$5.30 per 10^3m^3	natural gas tax
February 1, 1982	\$7.77 per 10^3m^3	natural gas tax
February 1, 1982	\$9.88 per 10^3m^3	wholesale gas costs

The major natural gas utilities (The Consumers' Gas Company Ltd., Northern and Central Gas Corporation Limited and Union Gas Limited) now file their rates in metric units. All residential rates changes granted to each of these utilities during the fiscal year, are shown in Appendix 'B'.

The following are highlights of rates cases dealt with by the Board during the fiscal year.

The Consumers' Gas Company Ltd.

Consumers' distributes natural gas in parts of southern and eastern Ontario, including Metropolitan Toronto. It also operates under the names of Brockville Gas, Grimsby Gas, Ottawa Gas and Provincial Gas.

By Ontario Regulation 330/81 the Lieutenant Governor in Council permitted Hiram Walker Resources Ltd. to acquire all the shares of Hiram Walker-Consumers Home Ltd. in exchange for its own shares. The natural gas distribution operations of Hiram Walker-Consumers Home Ltd. became a wholly-owned subsidiary of Hiram Walker Resources Ltd. under the name of The Consumers' Gas Company Ltd.

In its decision of January 27, 1982, on Consumers' main rates application, the Board found a revenue deficiency of $77.6 million. The Board had allowed $50.9 million of this on an interim basis effective October 1, 1981 at the same time as a gas cost increase. The balance of $26.7 million resulted in rates increases in February 1982, at which time increases in the Toronto city-gate price of natural gas and Federal natural gas taxes also became effective.

Consumers' proposed capital expansion program was one of the major issues in this hearing. The Board approved Consumers' tighter feasibility criteria reflecting the very high cost of money, and stated that in the present capital market it would be prudent and necessary

for utility management to restrain capital expansion spending. The Board also determined that contributions in aid of construction must be obtained from new customers before undertaking system expansion that does not meet the feasibility test.

Following the Board's decision, members of the Ontario New Democratic Party petitioned the Lieutenant Governor in Council to lower or postpone the February 1982 rates increases resulting from the revenue deficiency. The petition was pending at the end of the fiscal year.

A new main rates application was filed by Consumers' near the end of the fiscal year and will be heard this year.

Inter-City Gas Corporation

Inter-City is a Manitoba utility which also distributes gas in and west of Fort Frances, Ontario.

Inter-City was granted the following interim rates increases during the fiscal year:

Effective Date	Amount of Increase	Reason
May 1, 1981	15.1¢ per Mcf	Federal natural gas tax
July 1, 1981	15.1¢ per Mcf	Federal natural gas tax
August 1, 1981	2.72¢ per Mcf	revenue deficiency
February 1, 1982	46.57¢ per Mcf	wholesale gas costs and Federal natural gas tax

The Board also approved rates under which Inter-City would provide temporary winter service to Boise Cascade Canada Limited from November 1, 1981, to April 1, 1982.

The hearing of Inter-City's main rates application was completed in January 1982 and the decision was pending at the end of the fiscal year.

Natural Resource Gas Limited

Natural Resource Gas (NRG) is a small utility serving Aylmer and surrounding communities. It purchases its natural gas supply from Union Gas, Consumers' Gas and local producers.

NRG filed a main rates application in November 1981. After three days of hearings in February 1982, the matter was adjourned pending the request and filing of further information.

During the fiscal year NRG was granted the following interim rates increases:

Effective Date	Amount of Increase	Reason
August 1, 1981	9¢ per Mcf	Federal natural gas tax
October 5, 1981	21¢ per Mcf	wholesale gas costs
December 1, 1981	31¢ per Mcf	revenue deficiency
February 1, 1982	19¢ per Mcf	wholesale gas costs and Federal natural gas tax
March 1, 1982	43¢ per Mcf	wholesale gas costs
March 19, 1982	40¢ per Mcf	revenue deficiency

Northern and Central Gas Corporation Limited

Northern and Central distributes natural gas in parts of northern and southeastern Ontario.

In its decision of June 15, 1981, on Northern and Central's main rates application, the Board found a revenue deficiency of $7.9 million. This resulted in rates increases on that date followed by further increases in July 1981 resulting from Federal natural gas taxes. (An earlier Federal gas tax increase had resulted in an increase on May 1, 1981.)

A major issue in this case was the regulatory treatment relating to the Atikokan pipeline; wherein two large volume industrial customers using this pipeline had ceased operations, one late in the test year and the other in the following year. The Board concluded that there was insufficient evidence to support the exclusion of a major portion of the cost of the pipeline from the rate base on the basis that it was not "used or useful" in the test year. The Board, however, refused Northern and Central's request that sales revenues be normalized by eliminating $10.3 million, the revenue from sales to the two customers in the test year.

Northern and Central filed a new main rates application in November 1981. It included a request for interim rate relief due to a revenue deficiency which Northern and Central said would be incurred in 1982. In an interim decision the Board found a revenue deficiency of $4.5 million and approved rates increases effective March 1, 1982. This followed a substantial increase on February 5, 1982 related to gas costs and natural gas taxes.

Tecumseh Gas Storage Limited

Tecumseh does not distribute natural gas but provides underground gas storage facilities in Lambton County to The Consumers' Gas Company Ltd.

The decision in Tecumseh's first main rates application was released during the fiscal year. The Board found a revenue deficiency of $943,584 based on fiscal 1980 and increased Tecumseh's rates accordingly, effective November 1, 1981.

The major issue in the case was the amount to be included in rate base for storage pools purchased by Tecumseh. The Board determined a rate base component $1.6 million less than the figure proposed by Tecumseh. Tecumseh filed a new application towards the end of the fiscal year.

Union Gas Limited

Union distributes natural gas in most of southwestern Ontario.

In its decision of September 14, 1981, on Union's main rates application, the Board found a revenue deficiency of $15.1 million. This resulted in rates increases on October 5, 1981, at which time increases in Federal natural gas taxes also became effective.

Rate of return, meter reading, billing procedures and security deposits for residential customers, were major issues at this hearing. The Board ordered Union to file before its next main rates hearing a report examining methods of improving its capability of checking natural gas bills for over-estimates and meter reading errors. Union was also ordered to report, at the next main hearing, on the progress of its test of a micro-processor meter reading system. The Board also directed Union to undertake an information program to advise residential customers of matters that can affect their credit rating and the need for security deposits.

Union's application for increased rates, in order to pass on to its customers $24.5 million in premium costs of synthetic natural gas purchased from Petrosar Limited, was heard during the fiscal year. The major issue in the case

was whether Union's directors and management acted prudently in entering into a synthetic natural gas purchase contract with Petrosar Limited in 1974. While being critical of Union's directors and management, the Board determined that under the circumstances as they were known to exist in 1974 their action or inaction did not constitute imprudence. The Board permitted amortization of the premium over four years but, to provide incentive for Union's management to continue its efforts to mitigate the effect of the premium costs, rejected Union's proposal that there should be a return or interest on the unamortized portion. The decision resulted in uniform rates increases effective February 1, 1982.

One month later, Federal natural gas taxes and gas costs resulted in another rates increase.

Leave to appeal the Board's decision in the Petrosar case to the Divisional Court has been filed by Dow Chemical Canada Inc. The matter was pending at the end of the fiscal year.

During the fiscal year the Board extended the rates to be paid by Union for storage in the Bickford and Sombra Pools, and approved rates to be charged to Consumers' by Union under the short-term gas storage agreement referred to in the Gas Storage section of this Report.

A new main rates application was filed by Union in October 1981. It was heard in January and February 1982 and the decision was pending at the end of the fiscal year.

Wellandport Gas Limited

Wellandport is a small natural gas utility serving customers in the Townships of West Lincoln and Wainfleet in the Regional Municipality of Niagara. It produces most of its own natural gas but also purchases some from Union Gas Limited.

The Board issued an interim order increasing Wellandport's rates by about $1.40 per Mcf for gas billed on and after December 1, 1981, due to increased Federal natural gas taxes, gas purchase costs and operating costs.

Gas Storage

The Board approved the parties, term and storage volume of a proposed short-term gas storage agreement whereby Union would store natural gas for Consumers'. The Board also approved a proposed change in the volume being stored by Union for the Kingston Public Utilities Commission.

Pipeline Construction

The Board granted Union Gas Limited leave to construct the following three looping sections of its existing Dawn-Trafalgar transmission pipelines:

	Distance
London valve site in the Township of London to St. Marys valve site in the Township of West Nissouri	14 km
Kerwood valve site in the Township of Metcalfe to Strathroy gate station in the Township of Caradoc	11 km
Bright compressor station in the Township of Blandford-Blenheim to Owen Sound valve site in the Township of North Dumfries	18 km

Leave was granted subject to certain conditions relating primarily to environmental matters.

Pipeline Exemptions

In special circumstances the Board may exempt a person from obtaining leave to construct a particular transmission pipeline. Two exemption orders were made during the fiscal year:

Union Gas was granted an exemption to replace three short sections of the Amherstburg line in the Township of Anderdon, County of Essex; and

an amendment was made to a portion of the route of a 15-kilometre line from the City of Sudbury to the Town of Rayside-Balfour for which Northern and Central was granted an exemption in the previous fiscal year.

Arbitration

Proceedings in the application to determine compensation payable by Union Gas to the owners of oil and natural gas and storage rights in the Bentpath Pool in the Township of Dawn, were outlined in the Board's previous Annual Report. In the fiscal year just ended, the Board consolidated two other applications with the compensation proceeding and dealt with further procedural matters. The hearing began on December 1, 1981, and ended on March 4, 1982, after 16 sitting days. Written argument has been completed and the Board will render its decision this year.

Accounting Orders

In April 1981 the Board issued to Union Gas Limited an accounting order determining the appropriate accounting treatment of the 5 per cent Federal income tax surcharge.

Certificates and Franchises

The Board granted 14 certificates of public convenience and necessity to construct works and supply natural gas as follows:

Consumers' Gas	- City of Oshawa; Town of Whitby
Natural Resource Gas	- Town of Aylmer; Villages of Belmont, Port Burwell, Springfield and Vienna; Townships of Bayham, Norfolk, North Dorchester, South Dorchester, South West Oxford and Westminster
Union Gas	- Township of Stanley

The Board also approved or prescribed the terms and conditions of 18 franchises for the distribution of natural gas as follows:

Consumers' Gas	- Cities of Oshawa, Ottawa and St. Catharines
Natural Resource Gas	- (same municipalities as above)
Northern & Central Gas	- District Municipality of Muskoka*
Union Gas	- City of St. Thomas; Townships of Stanley* and Zorra*

In its reasons for decision in the Ottawa franchise matter the Board reaffirmed the principle that franchise agreements should not contain terms and conditions requiring payments from a distributor to the municipality over and above the normal municipal taxes.

*municipalities franchised for the first time.

ADVISORY HEARINGS

The Board's advisory role differs from its regulatory role which includes the authority to order Ontario natural gas utilities to implement Board decisions. In its advisory capacity, the Board reviews at public hearings such matters as Ontario Hydro bulk power rate proposals and makes a report containing recommendations.

Ontario Hydro

In April 1981 the Minister of Energy referred to the Board for examination and report, a proposal by Ontario Hydro to increase its rates effective January 1, 1982. Ontario Hydro proposed a 1982 revenue requirement of $2,862 million and an average bulk power rates increase of 8.6 per cent.

The hearing was held in June and July and the Board made its report on August 31, 1981. It contained the following opinions and recommendations:

Recommendations and findings
relating to the 1982 rate proposal

1) Ontario Hydro's forecast of bulk power costs for 1982 is excessive by an amount of $85.3 million.
2) After taking into account the revisions made by Ontario Hydro to its proposal, the bulk power rates increase for 1982 should be approximately 6.5 per cent.
3) All proposed bulk power rates for 1982 should be adjusted downward by Ontario Hydro in an equitable manner to the level indicated.
4) Decommissioning costs should be based on restricted site use and be subject to further review as may be necessary.
5) Ontario Hydro's accounting policy to amortize gains or losses on premature retirement of debt should be deferred until the matter can be re-examined more fully at the next bulk power rates hearing.
6) The electric furnace rates differential in 1981 should be continued in 1982.

Recommendations relating to future hearings

1) Staff levels of Ontario Hydro should be included and disclosed in the supporting detail of Ontario Hydro's bulk power rates proposal.
2) Early completion of the development and application of performance indices on a remuneration related basis should be accorded a higher priority by Ontario Hydro.
3) Ontario Hydro should consider deferring more planned outages at Pickering Nuclear Generating Station on existing units until Pickering Units 5 and 6 come into service in 1983.
4) Commissioning of Pickering Units 5 and 6 should be expedited to the utmost.
5) All revenue accounts such as internal sales should be shown separately and not netted out.
6) An examination of capital expenditure and capital cost control should be undertaken by the Ontario Energy Board in the near future.
7) Ontario Hydro should pursue its study on cash management.

The Board also recommended that Section 62 of the Power Corporation Act be amended to increase the rate of interest chargeable on overdue accounts to more realistic levels.

OTHER MATTERS

Ontario Pipeline Coordination Committee (OPCC)

The OPCC is comprised of representatives from the Ministries of Agriculture and Food, Consumer and Commercial Relations, Environment, and Natural Resources and is chaired by the Board's Special Projects Officer. Other Ministries, such as Citizenship and Culture, Municipal Affairs and Housing, and Energy, participate depending upon the impact of specific pipeline projects.

The purpose of the OPCC is to ensure that pipelines have minimal undesirable effect on the land by requiring that:

- sensitive areas be avoided in route selection;
- landowners be adequately notified and informed;
- construction procedures and schedules be developed to cause the least disturbance to the right-of-way and surroundings; and
- clean-up and restoration measures be responsibly implemented to restore the right-of-way to as good a condition as existed before the project was started.

During the fiscal year, the OPCC assisted Board counsel during the hearing of pipeline applications and recommended conditions of approval to the Board. It also monitored construction and site restoration to ensure that the conditions of Board orders were implemented.

In addition, the OPCC assisted the Ministry of Energy before the National Energy Board during the hearing of TransCanada PipeLines' application to build a large diameter, high pressure natural gas transmission line from North Bay to Morrisburg. Construction, in Ontario, of Federally regulated pipelines was also monitored by the OPCC.

There are over 13,000 kilometres of transmission pipeline in Ontario transporting natural gas, crude oil and petroleum products. During the fiscal year the OPCC was involved in monitoring various stages of construction of some 760 kilometres of natural gas pipeline. Appendix 'C' shows the general location of these pipeline systems.

Administration

The Board's total (unaudited) expenditures for the fiscal year were $1,863,015 of which $472,321 was recovered from applicants by way of fees and costs, and paid into the Consolidated Revenue Fund of the Province.

At the end of the fiscal year the staff of the Board totalled 32. Board members and senior staff were:

R. H. Clendining	-	Chairman
I. C. MacNabb	-	Vice Chairman
S. J. Wychowanec	-	Vice Chairman
H. R. Chatterson	-	Member
J. R. Dunn	-	Member
D. H. Thornton	-	Member
D. M. Treadgold	-	Member
J. C. Butler	-	Part-time Member
R. R. Perdue	-	Part-time Member
O. J. Cook	-	(Acting) Director of Operations (also Manager, Financial Analysis and Energy Returns Officer)
P. F. Cunningham	-	Administrative Advisor
S.A.C. Thomas	-	Board Secretary
L. Graholm	-	Board Solicitor
D. R. Cochran	-	Special Projects Officer
C. J. Mackie	-	Manager, Engineering

Appendix 'A'

Jurisdiction of the Board

Under the Ontario Energy Board Act

Approving or fixing rates and other charges for the sale of gas by transmitters, distributors and storage companies and for the transmission, distribution and storage of gas.

Ensuring compliance by gas utilities with the Uniform System of Accounts.

Granting leave to construct pipelines and related facilities.

Granting authority to expropriate land for pipelines and related facilities and authorizing pipelines to cross highways, utility lines and ditches.

Recommending to the Lieutenant Governor in Council the creation of designated gas storage areas and authorizing their use and arbitrating compensation payable to landowners under certain conditions.

Approving gas storage agreements and permitting a transmitter or distributor to use the empty space of a storage company.

Unitizing the interests in gas and oil spacing units and pools.

Reporting to the Lieutenant Governor in Council, after hearings, on applications by gas utilities to sell their assets or amalgamate with other utilities and on applications by persons to acquire shares of a gas utility which would result in a holding of more than 20 per cent of such shares.

Reporting to the Lieutenant Governor in Council on energy questions referred to the Board.

Examining into and reporting to the Minister of Energy on Hydro rates and rate-related matters, pursuant to references from the Minister.

Under the Municipal Franchises Act

Approving the terms of a proposed by-law granting a franchise to supply gas to a municipal corporation or distribute gas in the municipality, and extending the term of such franchise or of a transmission franchise.

Granting certificates of public convenience and necessity to construct works and supply gas in municipalities.

Under the Petroleum Resources Act

Reporting to the Minister of Natural Resources, pursuant to references from him, on certain applications for permits and licences.

Under the Public Utilities Act

Controlling gas utilities that contravene municipal by-laws prohibiting the distribution and sale of gas containing sulphuretted hydrogen.

Under the Assessment Act

Deciding whether certain gas pipelines are transmission lines for assessment purposes.

The Toronto District Heating Corporation Act, 1980*

Fixing steam rates for certain customers of the Toronto District Heating Corporation, formerly the Toronto Hospitals Steam Corporation, upon appeal by the customer. *(This Act was passed in the previous fiscal year but had not been proclaimed by March 31, 1982.)

NATURAL GAS RATES CHANGES GRANTED FOR TYPICAL RESIDENTIAL CUSTOMERS (FISCAL YEAR APRIL 1, 1981 TO MARCH 31, 1982)

($ per 10^3m^3)

The Consumers' Gas Company Ltd.

Effective Date	Amount	Reason
October 1, 1981	$14.47	revenue deficiency
October 1, 1981	10.94	Federal natural gas tax
February 17, 1982	6.71	revenue deficiency
February 17, 1982	9.88	wholesale gas costs
February 17, 1982	8.47	Federal natural gas tax
	$50.47	Total

Percentage increase: 33 per cent

Base rate level at March 31, 1981*: $151.09

Current rate level at March 31, 1982*: $201.56

*Based on representative annual residential consumption for space and water heating of 4.25 10^3m^3

NATURAL GAS RATES CHANGES GRANTED FOR TYPICAL RESIDENTIAL CUSTOMERS (FISCAL YEAR APRIL 1, 1981 TO MARCH 31, 1982)

($ per 10^3m^3)

Northern and Central Gas Corporation Limited

Effective Date	Amount: Western Zone	Amount: Northern Zone	Amount: Eastern Zone	Reason
May 1, 1981	$ 5.30	$ 5.30	$ 5.30	Federal natural gas tax
June 15, 1981	9.18	9.18	9.18	revenue deficiency
July 1, 1981	5.30	5.30	5.30	Federal natural gas tax
February 5, 1982	9.53	10.59	11.30	wholesale gas costs
February 5, 1982	7.77	7.77	7.77	Federal natural gas tax
March 1, 1982	3.18	3.18	3.18	revenue deficiency
	$40.26	$41.32	$42.03	Total
Percentage increase:	30 per cent	29 per cent	28 per cent	
Base rate level at March 31, 1981*:	$135.91	$141.91	$148.26	
Current rate level at March 31, 1982*:	$176.17	$183.23	$190.29	

*Based on representative annual residential consumption for space heating and water heating of 4.40 10^3m^3 4.24 10^3m^3 3.66 10^3m^3

NATURAL GAS RATES CHANGES GRANTED FOR TYPICAL RESIDENTIAL CUSTOMERS (FISCAL YEAR APRIL 1, 1981 TO MARCH 31, 1982)

($ per 10^3m^3)

Union Gas Limited

Effective Date	Amount	Reason
April 1, 1981	$(0.71)	revenue deficiency
October 5, 1981	5.30	revenue deficiency
October 5, 1981	10.95	Federal natural gas tax
February 1, 1982	1.06	Petrosar gas costs
March 1, 1982	9.53	wholesale gas costs
March 1, 1982	8.83	Federal natural gas tax
	$34.96	Total

Percentage increase: 22 per cent

Base rate level at March 31, 1981*: $159.21

Current rate level at March 31, 1982*: $194.17

*Based on representative annual residential consumption for space and water heating of 3.54 10^3m^3

KENORA
FORT FRANCES
THUNDER BAY
TIMMINS
SAULT STE MARIE
SUDBURY
NORTH BAY
HAWKESBURY
MONTREAL
OTTAWA
CORNWALL
PETER-BOROUGH
Pipelines under construction
Principal Natural Gas Pipelines in Ontario
Union Gas
Natural Resources Gas
Trans Canada Pipelines
Pipelines under construction
Consumers' Gas
Northern and Central Gas
Inter-City Gas

Appendix 'C'

Appendix 'D'

SELECTED STATISTICS
MAJOR ONTARIO NATURAL GAS UTILITIES*

	1982	1981
		(rounded)
Number of Customers:		
Residential	1,142,600	1,063,600
Commercial & Industrial	136,800	127,700
Total	1,279,400	1,191,300
Sales Volume: (10^3m^3)		
Residential	3,987,100	3,853,900
Commercial & Industrial	14,650,400	14,490,700
Total	18,637,500	18,344,600
(MMcf)		
Residential	140,700	136,000
Commercial & Industrial	517,200	511,500
Total	657,900	647,500
Sales Revenue: ($000)		
Residential	623,300	512,800
Commercial & Industrial	1,714,800	1,391,100
Total	2,338,100	1,903,900
Total Distributors' Cost of Natural Gas: ($000)	1,894,700	1,553,700
Rate Base: ($000)	1,828,500	1,776,200
Revenue Increases (non gas costs): ($000)		
Requested	146,100	72,700
Granted	105,200	35,000
Transmission and Distribution Pipelines:		
Miles	22,900	22,400
Kilometers	36,900	36,000

*The Consumers' Gas Company Ltd.
Northern and Central Gas Corporation Limited.
Union Gas Limited.

A decision can be changed

Board decisions may be challenged in three different ways:

– the Board may itself review a decision either upon the application of any interested party or upon its own initiative;

– interested parties may, within twenty-eight days of a decision, petition the Cabinet of the Ontario government to review it; or

– upon questions of law or jurisdiction, application for judicial review may be made to the Divisional Court.

Other matters

The Ontario Energy Board is responsible for more than just natural gas rates. It regulates other matters relating to the oil and gas industry, including pipeline construction and gas distribution franchises.

The Board also reviews annually the wholesale rates proposed by Ontario Hydro and makes written recommendations on them to the Minister of Energy. The Board does not, however, review the rates of municipal electric utilities.

A more precise explanation of the Board's authority and procedures may be found in the Ontario Energy Board Act and Regulations, the Municipal Franchises Act, and the Petroleum Resources Act.

For further information, please contact:

Board Secretary
Ontario Energy Board
14 Carlton Street, 9th Floor
Toronto, Ontario
M5B 1J2

Telephone (collect): 416/963-0812

Ontario
Energy
Board

Ontario

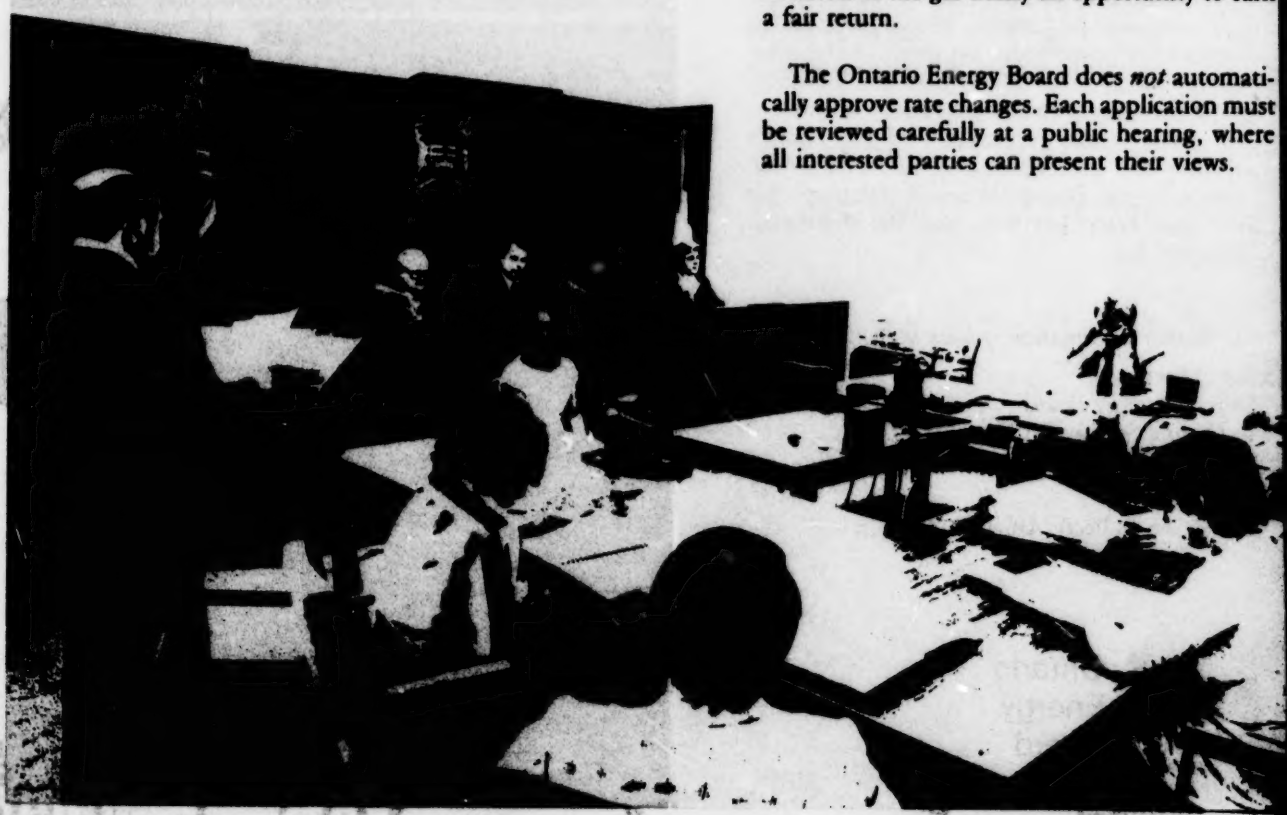
12/1981

How Does a Gas Utility Change Its Rates?

Ontario Energy Board

Ontario

Under Ontario law the private gas utilities cannot set their own selling prices. If they want a rate change they must apply to the Ontario Energy Board.



Some basic facts

The three largest Ontario gas utilities are *Consumers' Gas* (serving parts of central and eastern Ontario and operating also as *Brockville Gas, Grimsby Gas, Ottawa Gas,* and *Provincial Gas); Northern and Central Gas* (serving parts of northern and eastern Ontario); and *Union Gas* (serving parts of southwestern Ontario).

Smaller areas are served by *Natural Resource Gas, Inter-City Gas,* and *Wellandport Gas.*

All these utilities are under the jurisdiction of the Ontario Energy Board.

The gas utilities in Kingston and Kitchener are municipally owned and controlled. Their rates are not determined by the Ontario Energy Board.

The Ontario Energy Board limits the income of the natural gas utilities in Ontario and controls the rates they charge for gas being sold to their customers. The Board is responsible for setting rates that are as low as possible while providing investors in the gas utility an opportunity to earn a fair return.

The Ontario Energy Board does *not* automatically approve rate changes. Each application must be reviewed carefully at a public hearing, where all interested parties can present their views.

Ontario produces less than 2 per cent of its natural gas needs. Most of its supply comes from western Canada by two pipeline systems, one across Canada through northern Ontario and the other through the United States re-entering Canada near Sarnia.

The federal government sets the price Ontario gas distributors must pay for gas from western Canada. This factor has accounted for about 78 per cent of residential rate increases in recent years, with the balance due to the increased operating costs of the Ontario gas utilities.

What happens before the hearing?

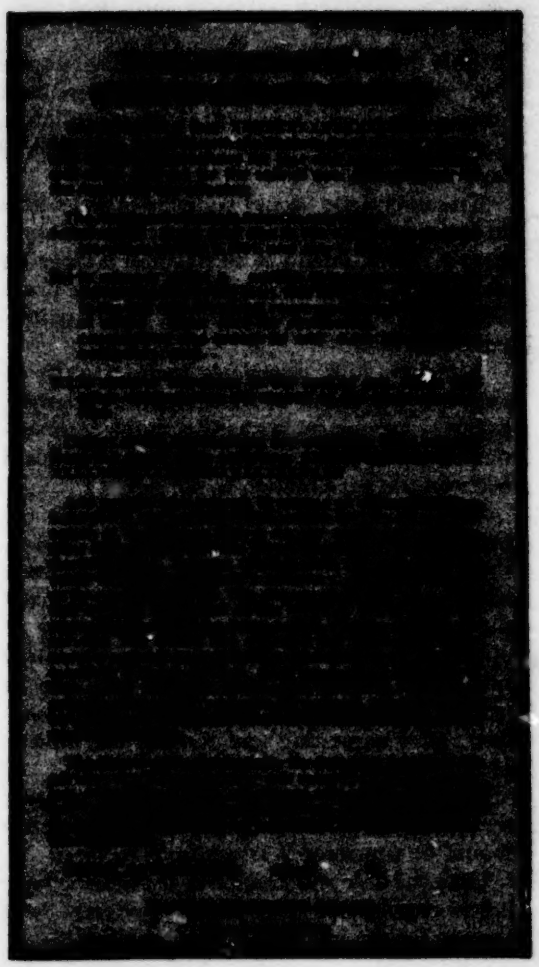
The gas utility's application

A rate review begins when a gas utility files an application for a rate change. The utility must also file enough written information so the Board can conduct a thorough review of the financial position of the utility and the appropriateness of the new rates being requested. If the Board feels that the information is inadequate, further information is always obtained. The Board staff examines all the material prior to the public hearing.

Notice to the public

After receiving the gas utility's application, the Board instructs the utility to notify affected parties.

Municipal governments in the gas utility's service area are always informed by registered mail or courier. For the thousands of individual customers, notification is by newspaper advertisements like the following example. Sometimes a hearing date is included in the advertisement. In either case, instructions to potential participants are set out.



Who can participate?

All gas customers, whether residential customers or large industrial users, are entitled to participate. So are municipalities and groups or associations that wish to present a collective point of view. Those that do participate are called intervenors. Although lawyers or agents frequently represent intervenors, this is not essential; individual citizens do appear and speak for themselves.

How to intervene

Within the period specified in the notice, usually two weeks, the prospective intervenor must inform the Board in writing of the intention to intervene, sending a copy to the gas utility's lawyers as well.

The intervenor should say if he or she wishes to appear at the hearing. Recognizing that some people cannot attend at all stages or arrange for someone to be present on their behalf, the Board Secretary will try to arrange a time when a participant may be heard.

Although it is sometimes more effective to appear in person (or be represented by a lawyer, agent, or a group spokesman), a simple intervention can be made by writing a letter to the Board Secretary for presentation at the hearing.

Whether a letter is written for filing at the hearing or a party wishes actually to participate, the written notice of intervention should indicate why the person has an interest in the outcome of the hearing and the reasons for supporting or opposing the gas utility's application. A written submission providing other details may also be helpful. An intervenor may file his submission later, after requesting and reading the utility's pre-filed evidence.

Board staff and counsel are available to assist the public to intervene. The Board Secretary should be contacted if assistance is required.

Once the date and location of the hearing have been established, the Board Secretary will arrange for the intervenors to be notified.

Pre-hearing conferences

It is often helpful if participants hold a meeting to review the material for clarification, to define their differences, and to arrange procedural matters before the hearing. All intervenors receive notice of, and are encouraged to attend, these public conferences.

The hearing

Anyone is welcome to attend a hearing, which may last from a few days to several weeks. Hearings are usually held in the Board offices in Toronto.

At the hearing the utility must prove that it needs the rate changes applied for. The Board usually hears the utility's evidence first. Intervenors may ask questions of the utility witnesses or make their views known by giving evidence or by presenting a submission, or all three. Persons giving evidence can be questioned by all participants at the hearing, including lawyers representing the utility, Board staff, and the Board members themselves.

A transcript of the hearing is taken. A copy is available at the Board offices for inspection by any member of the public.

Interim hearings

If a gas utility believes that a change in its cost of buying gas or in other costs of doing business will cause it to suffer immediate financial difficulties, it can apply for an interim rate change. These interim rate applications also require public hearings, which last only a day or so. When interim rate changes are granted they are still subject to review at the main hearing.

After the hearing

The Board's decision and order

After hearing all evidence and submissions, the Board members who heard the case deliberate and make a decision. The Board's decision is then written and released.

The Board may deny the rate change requested, grant a portion of it, or approve the entire request if it is justified. The decision is accompanied by reasons for decision.

Finally, a Board order is issued, and the rate changes become effective. All participants receive copies of the decision and order, which are also available to the public.